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IMPRESSIVE SECOND HALF CONTINUES

At the least, economic conditions in Pennsylvania held fairly steady in November 1987 and it can be argued that overall activity may have even continued to expand, albeit only slightly. As long as nonmanufacturing remains healthy and manufacturing continues to hold its own, which it has shown signs of doing lately, similar growth is expected over the next several months, especially in light of a clearer picture at the national level.

As was pointed out several times in recent months, problems in the U.S. economy as a whole made forecasting future trends in Pennsylvania especially difficult. There were legitimate concerns of a possible recession in the nation. However, **as more data concerning U.S. economic conditions become available, a recession appears less and less likely, though still not out of the question.** A consensus among most economists has developed which looks for some slowing in growth in 1988 to a less-than-blistering pace, but activity is expected to be strong enough to avoid a slump.

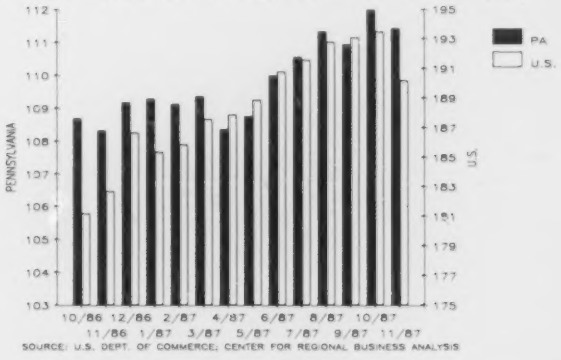
Recent issues of the *Survey* have stressed the relationships between the performance of Pennsylvania's economy and national developments. As shown in the accompanying chart, these "ties" are also apparent in the behavior of the Pennsylvania and U.S. leading indicators. **Although detailed comparisons between the two cannot be made because of differences in components, it is apparent that the indexes behave quite similarly.** This has been especially evident over the past several months. In November, both indexes fell, the U.S. for the first time since January 1987 and Pennsylvania for only the second time in the past seven months. Clearly, November's declines cannot yet be interpreted as the start of a trend.

On a related note, last month the influence of the national business cycle on Pennsylvania employment trends was briefly highlighted. It was concluded that employment growth in the Commonwealth varies positively with the business cycle. A similar illustration this month shows that **employment growth in Pennsylvania is more sensitive to downturns in the nation's economy relative to the U.S. and does not respond to upturns in the business cycle to the same degree as in the nation.** Specifically, U.S. employment growth during each of the four recovery periods which have occurred since 1970 has outpaced Pennsylvania's gains while the Commonwealth's losses have been greater than the nation's in two of the three recessions (see table).

Despite minimal gains from October, November brought with it a continuation of recent trends in that **the second half continued, for the most part, to post impressive results after a rather sluggish first half.** As mentioned above, **it is probably not just a coincidence that the economy began to pick up, albeit slightly, just about the same time that manufacturing job losses abated.** Several times in the past, it has been pointed out that a more balanced picture was needed for the overall economy to expand at an acceptable pace. Factory job levels in Pennsylvania held fairly steady during the month as nonmanufacturing provided all new jobs in rising to another record high on both a seasonally adjusted and unadjusted basis as job levels totalled just under 4 million in this sector.

The accompanying table shows that in most nonagricultural industries, the second half of this year has resulted in at least a slightly stronger showing with respect to job advances than in the first half of the year. For example, the durable goods

PENNSYLVANIA AND U.S. COMPOSITE INDEXES OF LEADING INDICATORS
(Jan. 1972=100 for PA; 1967=100 for the U.S.)



SOURCE: U.S. DEPT. OF COMMERCE; CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
March 1987	109.4	84.2	0.3	-0.4
April	108.4	84.0	-0.9	-0.2
May	108.8	84.6	0.4	0.7
June	110.0	84.4	1.1	-0.2
July	110.6	84.4	0.5	0.0
August	111.3	84.4	0.6	0.0
September	110.9	85.0	-0.4	0.7
October	112.0	85.6	1.0	0.7
November	111.4	85.6	-0.5	0.0

GNP and Pennsylvania employment growth over recent business cycles (average annual percent changes)

	PA employment	US employment	GNP
12/70-11/73 recovery	1.4	3.2	4.7
12/73-3/75 recession	-1.7	-0.7	-3.5
4/75-1/80 recovery	1.5	3.3	4.2
2/80-7/80 recession	1.2	-1.3	-2.5
8/80-7/81 recovery	0.8	1.9	3.1
8/81-11/82 recession	-2.8	-1.1	-1.8
12/82-pres. recovery	2.3	2.8	4.2

Source: U.S. Dept. of Commerce;
Center for Regional Business Analysis

industries added 3,000 jobs during the July-November period compared to the same time a year ago. This followed a first half in which 18,500 jobs were lost compared to the January-June period in 1986. Although much of the improvement in these industries is a result of the resolution of the USX labor dispute, a quick glance down the table shows that in ten of the twelve broad nonagricultural industry groupings, the second half of 1987 proved to be stronger than the first half, at least on the job front.

Second half's improvement is even more pronounced when the resident employment, unemployment, and labor force data are used. Employment growth amounted to just 16,000 on an average annual basis during the January-June period in

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,019*	5,032	4,889	4,971*	4,977	4,827	108.9*	109.0	105.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,970*	3,982	3,841	3,925*	3,932	3,791	121.8*	122.0	117.6
Mining	32	32	33	31	32	33	64.8*	65.8	68.1
Contract construction	243*	237	219	228	228	210	123.8*	123.8	113.9
Transportation	143	143	142	138*	140	139	86.1*	86.9	86.2
Public Utilities	106	106	103	106	105	102	104.8	104.6	101.6
Wholesale trade	277	279	265	276	278	264	124.5	125.3	119.1
Retail trade	887*	902	865	878*	881	844	122.4*	122.8	117.7
Finance, insurance & real estate	289	288	282	289	289	282	132.9*	132.7	129.8
Service & miscellaneous	1,298*	1,294	1,241	1,290	1,290	1,237	149.5*	149.6	143.5
Federal government	141	141	138	142	142	139	110.8*	110.8	108.2
State & local government	554*	561	554	549*	549	542	94.2*	94.2	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,048*	1,048	1,038	1,046*	1,045	1,035	77.9	77.9	77.2
Durable goods	597*	598	585	597*	598	585	73.8*	73.8	72.2
Nondurable goods	451	450	453	448	447	450	84.1*	84.1	84.6
Ave. wkly. hrs. worked by prod. workers	41.0*	41.4	40.8	41.1*	41.0	40.4	104.0*	103.7	102.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steel production (thous. tons)	1,163	1,102	554	n.a.	n.a.	n.a.	57.4	55.7	28.0
Industrial electric power sales (mil. kwh)	3,876	3,730	3,193	3,861	3,863	3,321	104.5	104.6	89.9
Mining									
Anthracite coal (thous. net tons)	246	220	373	207	206	351	42.4	42.1	71.9
Bituminous coal (thous. net tons)	5,992	n.a.	5,184†	5,472	n.a.	4,579†	77.6	n.a.	64.9†
Construction contracts awarded (mil. dols.)									
Total	891.7	752.5	562.4*	834.8	883.2	608.2*	259.5	274.5	189.0*
Residential building	395.9	288.1	229.8*	362.9	336.0	279.6*	257.8	238.7	198.7*
Nonresidential building	349.2	338.3	272.3*	286.0	297.8	248.8*	263.7	274.5	229.3*
Nonbuilding (utilities and public works)	146.5	181.8	61.0*	185.9	249.4	79.8*	256.4	344.1	110.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,480	5,417	5,266	5,403	5,376	5,219	112.4	111.9	108.6
Unemployed									
No. of persons (thous.)	307	299	334	337	315	349	84.0	78.5	87.1
Rate (percentage of labor force)	5.3	5.2	6.0						
Rate, seasonally adjusted				5.9	5.5	6.2			
Civilian labor force, no. of persons (thous.)	5,787	5,716	5,600	5,740	5,691	5,568	110.2	109.3	106.9
Initial claims for unemployment benefits	69,330	85,736	97,352	73,990	85,164	98,340	51.7	59.5	68.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month Ago*	*Year Ago*
	October	*November*	*November*		
U.S. city average	345.3	345.8	330.8	+0.1	+4.5
Philadelphia	344.1	342.6	324.1	-0.4	+5.7
Pittsburgh	344.1	n.a.	331.8†	n.a.	+3.7

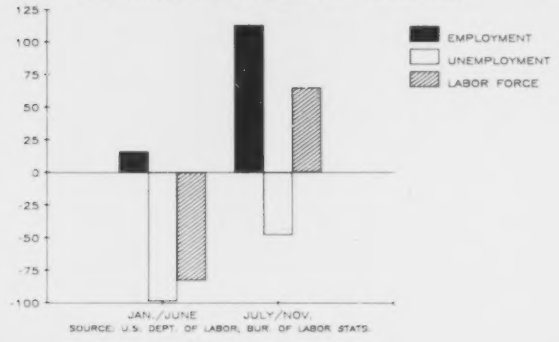
[1] Total includes workers on strike. * = figure revised † = figure for October 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA job growth by industry in 1987
(annual average changes during the January-June and July-November periods; in thousands)

	January-June	July-November
Durables	– 18.5	3.0
Nondurables	– 3.9	– 3.0
Mining	– 2.6	– 1.9
Construction	18.7	19.8
Transportation	– 0.3	– 0.2
Public utilities	3.8	3.5
Wholesale trade	9.9	13.7
Retail trade	29.2	34.9
F.I.R.E.	12.1	8.0
Services	51.3	54.6
Federal government	– 0.4	3.3
State & local govt.	1.4	3.7

Source: Dept. of Labor and Industry, Res. and Stats. Div.

PA EMPLOYMENT, UNEMPLOYMENT, AND LABOR FORCE GROWTH IN 1987
(average annual changes during the January-June and July-November periods; in thousands)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

Pennsylvania before averaging a monthly gain of 113,000 during the July-November period. The labor force declined by 83,000 in the first half before growing by 65,000 in the second half.

In conclusion, **the Pennsylvania economy appears to be rounding out 1987 on a high note despite the existence of several problems pointed out in the past.** The "Year-End Review and Outlook" issue of the *Survey* in February will examine the situation in more detail.

— *William D. Anderson*

Announcing . . .

A 22-page study, "The Economic Impact of Penn State Football in the State College Region," is now available from the College of Business Administration's Center for Regional Business Analysis. Originally summarized in the October 1987 issue of the *Survey*, this study quantifies, in dollar terms, the economic impact of football-related expenditures on the economy of the region surrounding the University Park Campus. It is currently available, free of charge, by writing to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802.

This is the third study released as part of the *Pennsylvania Economic Studies* series. Additional studies will be announced as relevant research results become available.

To Our Readers . . .

Over the 50 years during which the *Pennsylvania Business Survey* has been in existence, those involved in its publication have constantly reevaluated the information contained in it to make sure that it is the most useful and timely available. To help us in our current efforts, we are encouraging our readers to contact us with any comments and/or criticisms with respect to the *Survey's* contents.

Although all comments will be appreciated, we here in the Center for Regional Business Analysis are especially interested in your thoughts and ideas pertaining to the following areas:

- — The quality of the narrative and its underlying analysis (i.e., too negative, too positive, etc.);
- — Those pieces of data and information currently reported which you find most helpful and those which are least helpful;
- — Additional data you would like to see reported and analyzed in the *Survey*;
- — The relative importance of the State vs. the regional articles;
- — Whether efforts to expand the *PBS* should be concentrated on State or regional coverage.

Please address all correspondence to: Bill Anderson, The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802. We look forward to hearing from you.

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